

PX 16

1 THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2

3 In the Matter of:)

4

) File No. NY-09875-A

5

RIPPLE)

6

7 WITNESS: Asheesh Birla

8

PAGES: 1 through 220

9

PLACE: Securities and Exchange Commission

10

200 Vesey Street

11

Brookfield Place, Suite 400

12

New York, New York 10281

13

DATE: Thursday, December 5, 2019

14

15 The above entitled matter came on for hearing,

16

pursuant to notice, at 10:15 a.m.

17

18

19

20

21

22

23

24 Diversified Reporting Services, Inc.

25

(202) 467-9200

1 APPEARANCES:

3 On behalf of the Securities and Exchange Commission:

4 DAPHNA A. WAXMAN, ESQ.

5 JORGE TENREIRO, ESQ.

6 JON A. DANIELS, ESQ.

7 Securities and Exchange Commission

8 Division of Enforcement

9 200 Vesey Street

10 New York, New York 10281

12 On behalf of Witness:

13 SEAN HECKER, ESQ.

14 JUSTIN HORTON, ESQ.

15 Kaplan Hecker & Fink LLP

16 350 Fifth Avenue - Suite 7110

17 New York, New York 10118

19 ANDREW J. CERESNEY, ESQ.

20 CHRISTOPHER S. FORD, ESQ.

21 Debevoise & Plimpton

22 919 Third Avenue

23 New York, New York 10022

1 APPEARANCES (CONT.):

2

3 STUART ALDEROTY, ESQ.

4 Ripple

5 315 Montgomery Street, 2nd Floor

6 San Francisco, California 94104

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 C O N T E N T S
2

3 WITNESS: EXAMINATION

4 Arsheesh Birla 5

5

6 EXHIBITS: DESCRIPTION IDENTIFIED

7 1 Form 1662 5

8 2 Questionnaire 5

9 3 Subpeona 8

10 4 A document 149

11 5 A document 150

12 6 A document 167

13 7 An e-mail 197

14 8 An e-mail 200

15 9 A document 200

16 10 An e-mail 203

17

18

19

20

21

22

23

24

25

1 P R O C E E D I N G S

2 (SEC Exhibit Nos. 1 and 2 were
3 marked for identification.)

4 MS. WAXMAN: We're on the record at 10:16
5 a.m. on December 5, 2019.

6 Mr. Birla, please raise your right hand.

7 (Witness complies.)

8 Do you swear or affirm to tell the truth,
9 the whole truth and nothing but the truth.

10 MR. BIRLA: Yes.

11 Whereupon,

12 ASHEESH BIRLA

13 was called as a witness and, having been first duly
14 sworn, was examined and testified as follows:

15 EXAMINATION

16 MS. WAXMAN: Off the record one for one
17 second.

18 (A discussion was held off the record.)

19 MS. WAXMAN: We're back on the record at
20 10:17 a.m.

21 BY MS. WAXMAN:

22 Q Mr. Birla, while we were off the record,
23 did you have any substantive conversation with the
24 staff.

25 A No.

1 Q Please state your full name and spell
2 your name for the record.

3 A Asheesh Birla. A-S-H-E-E-S-H, last name
4 Birla, B-I-R-L-A.

5 Q Do you have a middle name?

6 A I do not.

7 Q Okay. Good morning, my name is Daphna
8 Waxman and later today I'll have some colleagues
9 join me, but we are all officers of the Commission
10 for the purposes of this proceeding.

11 This is an investigation by the U.S.
12 Securities and Exchange Commission, in the matter
13 of Ripple Labs, NY-9875, to determine whether there
14 have been violations of the Federal Securities
15 Laws.

16 However, facts developed in this
17 investigation may constitute violations of other
18 federal or state, civil or criminal laws.

19 Prior to the opening of the record today,
20 you were provided with the copy of the Formal Order
21 of Investigations, which is right here. It will be
22 available for you during the course of this
23 proceeding.

24 Mr. Birla, have you had a opportunity to
25 review the Formal Order?

1 A Yes.

2 Q Okay. Prior to the opening of the
3 record, I also provided you a copy of Form 1662,
4 which has been marked as Exhibit No. 1.

5 Mr. Birla, have you had an opportunity to
6 read Exhibit No. 1?

7 A Yes.

8 Q Do you have any questions concerning
9 Exhibit No. 1?

10 A No.

11 Q Mr. Birla, are you represented by counsel
12 today?

13 A Yes.

14 MS. WAXMAN: Would counsel please state
15 for the record your name, your firm's name and who
16 you represent.

17 MR. HECKER: Sean Hecker, Kaplan Hecker &
18 Fink for Mr. Birla.

19 MR. CERESNEY: Andrew Ceresney, Debevoise
20 & Plimpton for Mr. Birla and Ripple Labs.

21 MR. FORD: Christopher Ford, Debevoise &
22 Plimpton for Mr. Birla and Ripple Labs.

23 MR. HORTON: Justin Horton, Kaplan Hecker
24 & Fink for Mr. Birla.

25 MR. ALDEROTY: Stuart Alderoty, General

1 Counsel for Ripple.

2 MS. WAXMAN: Mr. Birla, as you may be
3 aware, multiple representations of witnesses by
4 counsel or by entity -- representation of an
5 entity and individual employees, may present
6 potential conflicts of interest and Form 1662 --
7 1662 states that the Commission will assume that
8 the witness and counsel have discussed and
9 resolved all issues concerning possible conflicts
10 of interest.

11 Let the record reflect that Jorge
12 Tenreiro just entered the room.

13 (SEC Exhibit No. 3 was marked
14 for identification.)

15 Q Mr. Birla, I'm showing you what's been
16 marked as Exhibit No. 3.

17 Exhibit 3 is a copy of the testimony
18 subpoena that was issued to you.

19 Are you appearing here today pursuant to
20 the subpoena?

21 A Yes.

22 Q I just want to ask you some background
23 questions.

24 What did you do to prepare for today's
25 testimony?

1 A I prepared with counsel.

2 Q Did you review any documents in
3 preparation for the testimony?

4 A Yes.

5 Q Are there specific -- without revealing
6 any conversations you had with counsel, are there
7 any documents that you recall reviewing
8 specifically?

9 A Specific documents that I reviewed, there
10 was a number of documents that I reviewed, but I
11 don't remember any specific ones.

12 Q Did any of the documents that you
13 reviewed help you recall anything better or more
14 clearly?

15 A No.

16 Q Does anyone else know that you are
17 testifying here today?

18 A Yes.

19 Q Who?

20 A May boss Brad Garlinghouse.

21 Q Did you discuss the fact that you're
22 testifying here with anyone else?

23 A No.

24 Q Did you discuss with Mr. Garlinghouse
25 what you would be asked during testimony?

1 A No.

2 Q Did anyone suggest to you what your
3 testimony should be today?

4 A No.

5 Q Has anyone suggested to you what you
6 should or should not tell the SEC as part of this
7 examination or investigation?

8 A No.

9 Q Mr. Birla, I'm showing you what's been
10 previously marked as Exhibit No. 2, which is a copy
11 of your background questionnaire along with a cover
12 letter from your attorneys and some other
13 information.

14 Just take a minute to look at it and let
15 me know when you're finished.

16 (Witness complies.)

17 Q Do you recognize what's been marked as
18 Exhibit No. 2?

19 A Yes.

20 Q What is Exhibit No. 2 in your own words?

21 A Exhibit No. 2 is my response to a
22 background questionnaire that I received and also a
23 resume from myself.

24 Q Okay. And is everything in this document
25 true and accurate to the best of your knowledge?

1 A Yes. There is one typo I saw.

2 Q You can blame your attorney for that.

3 Where -- what page?

4 A So, 0153289.

5 Q And what is reflected on that page?

6 A That page is XRP trading activity for A.

7 Birla.

8 Q So where is the typo?

9 A The typo in the exchange column says,

10 " [REDACTED] it should be [REDACTED]. That's a -- row two, row
11 three, row four.

12 Q Okay. I'll ask you some more specific
13 questions about this page in a little bit. But
14 before we get there, I just want to ask you some
15 questions about the background questionnaire.

16 If you turn to page with the Bates Stamp
17 No. 153281, question No. 9, you list a Twitter
18 account, a Facebook account an Instagram
19 account; are those still active?

20 A Yes, they are active.

21 Q And do you use these accounts for
22 business purposes?

23 A I only use Twitter for both business and
24 for personal. The Facebook and Instagram are only
25 personal.

1 Q When you say you use Twitter for
2 business, can you tell me how you use Twitter for
3 business purposes?

4 A I use Twitter to convey views that I have
5 about the crypto industry, about how interesting
6 use case is with blockchain. There are at times
7 corporate communications that I also tweet out. I
8 write a blog as well and tweet out my blog.

9 Q The corporate communications that you
10 tweet out, are those at the direction of anyone at
11 the company?

12 A Some of the them are at the direction of
13 our communications team.

14 Q And why would they direct you to tweet
15 certain communications?

16 A I am one of the spokesperson for Ripple
17 and when we have a -- especially when we have a
18 product announcement, as my role as head of
19 product, I communicate out product announcements
20 for our enterprise product suite. That's mainly
21 what I tweet out.

22 Q And those announcements, are they
23 pre-vetted by someone at the company before you
24 tweet them?

25 A Not all of -- not all tweets are vetted.

1 Not all tweets that I put out are vetted. The
2 blogs that are part of the Ripple.com domain are
3 vetted and -- by our communications team.

4 Q So a personal blog on Medium, is that
5 vetted by someone at the company?

6 A I don't know if all the blogs have been
7 vetted. But most of the blog posts on Medium have
8 been vetted. I don't remember every blog I wrote
9 on Medium.

10 Q Is there a specific company policy with
11 respect to use of personal accounts to transmit
12 information about Ripple?

13 A I don't know.

14 Q And do you know if the Twitter account or
15 the Facebook account or any other blog that you
16 posted is monitored by anyone at the company?

17 A I know that the Twitter account is
18 monitored by the company.

19 Q Okay. And is that a company -- does
20 that -- do they only monitor your account or do
21 they monitor others -- accounts for other employees
22 as well?

23 A I do not know.

24 Q And how do you know that they monitor
25 your account?

1 A When I tweet out and sometimes I have
2 grammatical error in my tweet, the communications
3 team will let me know that I made a mistake and
4 need to go fix it for grammatical issues.

5 Q So, are they following employee Twitter
6 accounts?

7 A I don't know if they are following
8 employee Twitter accounts, but I know that they're
9 following my account.

10 Q Do you know why they're following your
11 account specifically?

12 A I don't know.

13 Q Have you ever asked anyone?

14 A No.

15 Q Do you have any speculation as to why
16 they're following your account?

17 A No.

18 Q Turning to question No. 10, you list some
19 instant message and handles; WhatsApp, Skype,
20 Telegram, do you use any of these for business
21 correspondence?

22 A Yes.

23 Q Which ones?

24 A I use -- sorry, are you asking about
25 right now or currently?

1 Q At any point in time. I think the
2 question goes back to four years ago. But, since
3 you've been -- let's say this, since you've been at
4 Ripple, have you used any of these accounts for
5 business correspondence?

6 A I use WhatsApp for business
7 correspondence. Not anymore, but I used to use
8 Skype for business correspondence. I use -- do not
9 use Telegram for business correspondence.
10 Occasionally use Signal for the business
11 correspondence.

12 Q And when you say you've used three out of
13 four of these for business correspondence, can you
14 just explain to me how or in what circumstances?

15 A For WhatsApp, that is a popular
16 communication tool for international
17 communications, and so for our international teams,
18 when I'm coordinating with them, I use WhatsApp.

19 Q And is it, are you relaying substantive
20 information through WhatsApp?

21 A In my role as head of product I have to
22 coordinate activities across the globe. So it's a
23 lot of product-related communications in terms of,
24 you know, what the software release parameters are,
25 any customer feedback that we're receiving, I want

1 to see that instantly.

2 So a lot of times our account management
3 team that are customer basing, are sending me
4 communications back about any, what are called,
5 software bugs that they're seeing. And that's
6 sometimes conveyed back on WhatsApp.

7 And then when I'm traveling, WhatsApp is
8 a lot easier for the international teams to use.

9 So, coordinating, meeting up, meetings and that's
10 the sort of thing is where we use WhatsApp.

11 Q Do you ever use it for correspondence
12 with people outside of the company?

13 A Yes. I use WhatsApp for people outside
14 the company.

15 Q So customers of Ripple?

16 A Yes. With customers of Ripple and then
17 also friends and family.

18 Q And do you -- sounds like -- do you
19 communicate with the executives at Ripple using
20 WhatsApp?

21 A When you say, "executives at Ripple", do
22 you mean the senior team or anyone in management?

23 Q Well, I don't know what the difference is
24 between -- who's part of the senior team?

25 A The senior leadership team includes

1 reports to Brad Garlinghouse, the CEO of Ripple.

2 Q Okay. So in a little bit I'll probably
3 ask you about who is comprised of the senior
4 leadership team. But, as an example, would you
5 send WhatsApp communication to anyone on the senior
6 leadership team?

7 A Occasionally, when we're traveling
8 together we'll use WhatsApp for communicating
9 logistics, travel plans.

10 Q And I know you answered this previously,
11 but I'll just ask again to make sure, have you ever
12 posted information on a Telegram channel about
13 Ripple or XRP?

14 A I don't know.

15 Q So, you're not sure?

16 A I'm not sure.

17 Q Is there a reason why you don't know?

18 A I seldomly use, you know, Telegram. I'm
19 in one Telegram channel, it's the Wharton
20 Blockchain Channel -- Wharton from Wharton Business
21 School blockchain channel, I may have introduced
22 myself as Asheesh from Ripple.

23 Q Okay. Turn to question No. 16, it's on
24 page 153284. You list an account at Bitstamp, the
25 very top of the page.

1 A Yes.

2 Q When did you open that account?

3 A I don't know the exact date that I opened
4 the account.

5 Q Around or what were the circumstances
6 under which you opened the account?

7 A I opened the account to trade digital
8 assets. 2015 is around the time I opened the
9 account.

10 Q And which digital assets did you open the
11 account to trade?

12 A Bitcoin, XRP, Ethereum are the ones that
13 I remember.

14 Q And do you currently hold assets in an
15 account at Bitstamp?

16 A Yes.

17 Q Okay. What do you hold?

18 A I hold U.S. dollars. And I don't
19 remember the other ones. Yeah, I don't remember
20 which ones I have specifically at Bitstamp other
21 than U.S. dollars.

22 Q Do you still have Bitcoin at Bitstamp?

23 A I do not have Bitcoin at Bitstamp from
24 what I recall.

25 Q Well, in 2015, approximately how much

1 Bitcoin did you purchase?

2 MR. HECKER: I guess we had understood
3 that we were going to go into detail about XRP
4 potentially, but other digital assets would be
5 excluded. So we didn't actually prepare on the
6 other assets. I mean --

7 MS. WAXMAN: That's fine.

8 MR. HECKER: -- but he can give general
9 answers.

10 MS. WAXMAN: Yeah, that's fine.

11 MR. CERESNEY: Yeah, and there's some
12 sensitivity I think too at some point with
13 specific holdings. Because, if you were asking
14 for balances in particular, we're weren't talking
15 about cryptocurrency we're just talking about like
16 holding some stock. And there would be some
17 sensitivity as to giving that information on the
18 record and the like. And so, also I'm not sure
19 why it's particularly relevant how much Bitcoin he
20 has, but -- so this is kind of a sensitive area.

21 MS. WAXMAN: Let's go off the record.

22 It's 10:37 a.m.

23 (A discussion was held off the record.)

24 MS. WAXMAN: Let's go back on the record
25 at 10:38 a.m.

1 Q Mr. Birla, while we were off the record,
2 did you have any substantive discussion with the
3 staff?

4 A No.

5 Q So, why did you purchase Bitcoin in 2015?

6 A I purchased Bitcoin in 2015 because I
7 believed in the future of digital asset.

8 Q Well, what do you mean you believed in
9 the future of digital asset.

10 A I believe that they have transformative
11 capabilities just like the internet had
12 transformative capabilities for moving information,
13 I believe that digital assets, such as Bitcoin, had
14 transformative applications in the finance
15 industry.

16 Q Did you purchase Bitcoin for -- did you
17 believe that the price of Bitcoin would go up in
18 value?

19 A I did not know at the time if the price
20 would go up or down.

21 Q Did you purchase Bitcoin for investment
22 purposes?

23 A I purchased Bitcoin for investment
24 purposes and I also purchased Bitcoin just to learn
25 about it.

1 Q Okay. And why did you purchase Ether?

2 A I learned about smart contracts, which is
3 a programming language on top of blockchain and I
4 thought that had capabilities to transform how
5 applications can be built on top of blockchain, and
6 I wanted to learn how to program using Ethereum.
7 So my first purchase was just to learn how to
8 program using Ethereum. And then I purchased a bit
9 more because I believed in the future of the
10 technology.

11 Q Did you think that the price of Ether
12 would go up and -- would go up?

13 A At the time of purchase I did not believe
14 that the price would go up. That was not my
15 primary interest in buying Ethereum.

16 Q The Ether that you used, did you ever use
17 it in connection with the creation of a smart
18 contract or anything like that?

19 A I don't remember.

20 Q Okay. And did you eventually sell the
21 Bitcoin that you purchased?

22 A I don't remember.

23 Q Do you remember if you sold a portion of
24 it?

25 A I do remember selling a portion of it.

1 Q And did you profit or did you -- did you
2 profit on that sale?

3 A I don't know specifics of profit or loss
4 on the -- on the particular sale.

5 Q Well, in general, in connection with your
6 Bitcoin holdings, are you -- did you profit or did
7 you lose money?

8 A In specifics with Bitcoin, I don't
9 remember if I lost money or made money on Bitcoin.

10 Q Same with Ether, do you still hold the
11 Ether that you purchased in 2015?

12 A I still hold Ether, yes.

13 Q And did you sell any portion of the Ether
14 that you purchased?

15 A I don't remember if I sold any of the
16 Ether.

17 Q Okay. Do you -- did you profit or lose
18 money on the transactions in Ether?

19 A I don't remember if I sold or traded out
20 of Ether.

21 Q Okay. And when was your last trade in
22 Bitcoin?

23 A I don't remember my last trade in
24 Bitcoin.

25 Q Okay. And when was your last trade in

1 Ether?

2 A I don't remember my last trade in Ether.

3 Q Was it more than two years ago?

4 A Can you -- when you define trade, can
5 you -- is that buy, is that sell or any -- when you
6 say trade.

7 Q I'm referring to buys or sells.

8 A With Ether, I believe I bought Ether less
9 than two years ago. Maybe 18 months ago.

10 Q And why did you buy Ether at that point?

11 A I still believed in the future of the
12 technology. Even though the others didn't, I still
13 thought that smart contracts are going to be a
14 future part of the ecosystem.

15 Q Did you buy the Ether to use it in
16 connection with deploying any transactions to the
17 Ethereum blockchain?

18 A I partially bought it -- I thought I was
19 going to, again, start learning how to code in
20 Ethereum. So, partial -- partial purchase was if I
21 wanted to create an application, something called
22 a; loans smart contract. I thought it would be a
23 good way to learn how to do that using Ethereum, so
24 that was a partial motivation.

25 Q What was the other part of the reason for

1 purchasing Ether?

2 A I believed in the future of the Ethereum
3 ecosystem. I believed that Ethereum was going to
4 be like the future programming language for writing
5 digital smart contracts for the finance industry.

6 Q Did you think it would go up in value?

7 A I did not know if it would go up in value
8 or not.

9 Q Right. I know you can't predict the
10 future. But, what was that basis -- was it -- did
11 you believe that there -- what -- strike that.

12 Did you purchase it for investment
13 purposes?

14 A Yes. I purchased it partially for
15 investment purposes.

16 Q Okay. I'll ask you about your XRP
17 holdings in a little bit. I want to move on to the
18 account at Kraken.

19 When did you open that account and why?

20 A I -- I don't know the exact date that I
21 opened the account. It's something around the time
22 of 2017 I believe.

23 Q And what prompted you to open the
24 account?

25 A I opened the account to buy digital

1 assets.

2 Q Okay. And which digital assets?

3 A I bought Bitcoin, I believe. And other
4 digital assets.

5 Q Did you buy any tokens in what's known as
6 an ICO?

7 A At Kraken I did not buy any tokens in
8 ICOs.

9 Q Have you ever bought a token in
10 connection with an ICO?

11 A Yes.

12 Q Which token?

13 A The token was or is, actually --
14 correction on that, I don't know if I bought the
15 token. I participated in a SAFT.

16 Q And for what token?

17 A I'm not sure if it was a token, but it
18 was the file coin offering.

19 Q So, the SAFT entitled you to receive a
20 coin at some point in the future?

21 A That is correct.

22 Q And when did you invest in the file --
23 when did you purchase the SAFT?

24 A I do not know.

25 Q How much was the purchase.

1 A I do not know.

2 Q Have you ever purchased any other tokens
3 in any ICOs -- any other ICOs?

4 A No. Just for clarification, when you say
5 "any other tokens", I participated in a SAFT.

6 Which from my knowledge, I don't know if that's a
7 token at that time, and that SAFT is not converted
8 into a token either. The file coin specific.

9 Q Okay. Have you ever -- the question is
10 meant to be broad.

11 So, have you ever participated in any
12 other investments concerning SAFTs?

13 A No.

14 Q And why didn't you open -- why didn't you
15 purchase the Bitcoin through Bitstamp, why did you
16 open the account at Kraken?

17 A I was looking at other digital assets and
18 I believe at the time the other digital assets I
19 was interested in were not available at Bitstamp.

20 Q Okay. In 2015, at the time that you
21 bought these digital assets, was that your first
22 foray into digital assets or had you heard of it
23 prior to that time?

24 A I had heard of it prior to 2015.

25 Q When did you first learn about digital

1 assets?

2 A I learned about digital assets -- I don't
3 recall the exact date that I learned about digital
4 assets.

5 Q Do you recall in what context you learned
6 about it?

7 A I learned about digital assets from Mark
8 Hendreeson, who was an investor in the company I
9 was at prior. And he was talking about the
10 transformative aspects of Bitcoin.

11 Q And when you first learned about it, did
12 you do anything? Did you do any -- were you
13 involved in any work involving digital assets?

14 A I was not professionally involved in any
15 work with digital assets.

16 Q Do you code?

17 A Yes.

18 Q Okay. What's your technical experience
19 in connection with smart contracts, creation of
20 certain distribute ledger software.

21 A I'm not well versed in creation of
22 digital -- digital ledger software, blockchain
23 software or -- I'm a novice in terms of writing
24 code and a smart contract.

25 Q And where did you gain that knowledge? I

1 understand it's limited, but how did you gain it --
2 where did you get it from?

3 A Are you asking about how I gained
4 programming knowledge or specific blockchain
5 knowledge?

6 Q Specific blockchain knowledge.

7 A I gained specific blockchain knowledge
8 from reading online and -- and also, because it's
9 blockchain, the code is public on something called
10 GitHub. GitHub is a repository of software you can
11 download it and you can read it and I downloaded
12 it -- downloaded sample code and learned how to
13 program smart -- learned how to program a little
14 bit in smart contracts through that method.

15 Q Was that in connection with any
16 professional-like business or work that you were
17 doing?

18 A No. That was only for hobby.

19 Q Let's turn to the page with your XRP
20 trading activity, which is 153289.

21 So, when and how did you come to acquire
22 the XRP listed on this page?

23 A I don't remember the date. I acquired
24 the XRP from Ripple for reimbursement of expense
25 reports.

1 Q When you say "reimbursement of expense
2 reports", can you tell me what you mean by expense
3 reports.

4 A So when I travel for business purposes on
5 behalf of the company, at least at this time
6 period, earlier on at Ripple, we have the option to
7 get an ACH payment, which is U.S. dollar payment
8 into a bank account or you could elect to get XRP
9 as -- into -- or you can get XRP instead of the
10 U.S. dollars.

11 Q And the amount of XRP would equal to the
12 amount of the expense?

13 A It was the U.S. dollar equivalent on the
14 closing, you know, Bitstamp rate that -- that
15 specific day. U.S. dollar XRP Bitstamp rate.

16 Q Was this a practice of the company at the
17 time?

18 A Are you -- are you asking about the
19 conversion rate or are you asking about, is the
20 reimbursement policy --

21 Q The latter.

22 A The reimbursement policy, yes, was a --
23 at the time of the reimbursement, was a policy.

24 Q Okay. And why did they offer this
25 option?

1 A I don't know.

2 Q Why did you accept the option to be paid
3 in XRP?

4 A I did not have XRP at the time. And it
5 was difficult to get XRP at the time, and I felt
6 like this was an easy way to get XRP at the time.

7 Q In or around 2015, the time you acquired
8 it, what was the price of XRP?

9 A So, just for clarification, I did not
10 acquire it in 2015. I don't know the exact dates
11 that I acquired the XRP. The trading activity here
12 shows the trading of XRP.

13 Q Thank you.

14 A I don't remember the price of XRP when I
15 received it as part of a reimbursement from Ripple.

16 Q Okay. But you received it before 2015?
17 Before this trading activity?

18 A So, just for clarification, I received
19 the reimbursements prior to this trading activity.
20 There is one purchase here for -- that I made.

21 Q I see two purchases; one for [REDACTED] XRP
22 and one for [REDACTED] XRP in 2017.

23 So the first one in July 2017, and then
24 the second one in January 2018.

25 A Yeah, correct.

1 Q Okay. So what does XRPL refer to?

2 A So there are centralized exchanges.

3 Centralized exchanges are -- are ones that there's
4 a company behind the exchange. So, in this case it
5 would be -- sorry, in the case of Bitstamp, there's
6 an entity behind Bitstamp, they run the software.

7 Coinbase is another example of a
8 centralized exchange. There's also decentralized
9 exchanges that are run by code, that are
10 distributed and decentralized. There are also
11 known as DEXs, XRPL is the XRP ledger. Inside the
12 XRP ledger there's something called the
13 decentralized exchange or DEX and that is what that
14 refers to.

15 Q Okay. Other than the XRP that you
16 received as part of the reimbursement for expenses,
17 did you ever receive any other XRP from Ripple?

18 A Yes. I did.

19 Q Can you tell me when and under what
20 circumstances?

21 A I don't remember the exact date. But I
22 received XRP for a bonus.

23 Q And how much -- what was the USD value of
24 the XRP that you received?

25 A [REDACTED].

1 Q And what did you do with the XRP that you
2 received?

3 A I held it. I hold it.

4 Q And where do you hold it?

5 A I hold it in a off-line wallet.

6 Q And the bonus that you received was
7 pursuant to any written agreement that you had with
8 the company?

9 A Can you repeat the question?

10 Q The -- the XRP that you received in
11 connection with your bonus, is that in connection
12 with a written agreement that you had with the
13 company about the amount of bonus you receive, or
14 was it in connection with certain mile stones?

15 A It was not a pre-determined bonus. It
16 was something called a spot bonus.

17 Q And who made the decision to allocate the
18 spot bonus to you?

19 A It was -- I don't know the exact -- who
20 made the ultimate decision, but our head of HR at
21 the time and Brad Garlinghouse were involved in the
22 decision.

23 Q And what's the name of the person who is
24 in charge of HR?

25 A At the time of the bonus?

1 Q Yeah.

2 A [REDACTED]

3 Q Do you know if others at the company also
4 received a spot bonus?

5 A Yes.

6 Q How do you know?

7 A I know that because I offered, you know,
8 split the spot bonus to some of my employees as
9 well.

10 Q When you say you offered spot bonuses to
11 some of your employees, was that separate and apart
12 from the XRP you received individually?

13 A Can you repeat the question?

14 Q The XRP that you offered to your
15 employees, was that separate and apart from the XRP
16 you received personally?

17 A Oh, sorry. To clarify, I did not offer
18 XRP to them as an individual. As a spot bonus, as
19 an employee of Ripple in conjunction with the HR
20 team, I offered a spot bonus to my employees. A
21 few of my employees, a subset.

22 Q Okay. And how is the amount of the XRP
23 that was given determined?

24 A I don't remember.

25 Q Are the spot bonuses documented anywhere?

1 A Yes, they are documented.

2 Q Where are they documented?

3 A They are documented in a PDF and they're
4 documented in e-mail.

5 Q Have you ever been offered the ability to
6 receive XRP as part of your compensation?

7 A As a formal offer, there was a -- there
8 was a policy at a point where you could get your
9 paycheck in U.S. dollars or in XRP. The XRP rate,
10 I believe, was determined by the -- that dates
11 closing rate, U.S. dollar XRP.

12 Q Did you ever take that opportunity?

13 A I did not.

14 Q Why not?

15 A I have family obligations. I have a
16 mortgage, I have two kids in school. And, you
17 know, I needed U.S. dollars to pay for tuition
18 and mortgages.

19 Q Did you think it was risky to take part
20 of the compensation in XRP?

21 A That was not my reason not to take the
22 compensation in XRP. It was more of a personal
23 decision.

24 Q If you go back to the chart, in July 2017
25 you purchased a [REDACTED] XRP.

1 What prompted that purchase?

2 A I don't remember.

3 Q Looks like -- I can't -- the price of XRP
4 at the time is not included, but I calculated it
5 myself and it looks like, compared to all the other
6 trades listed in 2017, the price was pretty low.
7 It was about 14 cents for XRP as compared to in
8 May, the first trade for [REDACTED] XRP was at a price
9 of [REDACTED] cents.

10 Does that additional information help you
11 remember why you purchased XRP?

12 A What -- the [REDACTED] cents, what are you
13 referring to?

14 Q The price of XRP in connection with that
15 purchase.

16 A In July 16th?

17 Q Yeah.

18 A No. I don't remember why I purchased the
19 [REDACTED] XRP on that date.

20 Q And what about in January 2018, do you
21 know why you made that purchase?

22 A I do not.

23 Q Going to the last page of the exhibit,
24 which is your resume on 153290, how did it happen
25 that you became a board observer for InstaReM?

1 A Ripple invested in a financing round for
2 InstaRem.

3 Q How did it happen that you became an
4 observer on the board?

5 A So, Ripple invested in a financing round
6 for [REDACTED]. [REDACTED] provides -- on RippleNet,
7 it provides payment services. And as part of that
8 investment and also as a key partner, I thought it
9 would be a good idea to be a board observer as
10 well.

11 Q What does -- what's the difference
12 between being a board observer and a board member.

13 A I'm not a lawyer so I don't know the
14 exact -- but my belief is that a board -- a
15 full-fledge board member has voting rights.
16 Whereas a board observer attends meetings, provides
17 advice, but has no formal voting rights for any key
18 decisions that the -- that may come forth to a
19 board.

20 Q Going back -- thank you. Going back to
21 the XRP that you received from Ripple, were -- when
22 you received the XRP, were they restricted in any
23 way?

24 A I don't -- I do not believe so.

25 Q And did anyone ever monitor your

1 transactions in XRP?

2 A I do not know.

3 Q Do you know if there's any policy
4 concerning trading in XRP by Ripple employees?

5 A The -- broadly for all Ripple employees,
6 I'm not sure. I know that I have a policy that --
7 for any XRP trades that I conduct.

8 Q What is the policy generally?

9 A In general it's -- there's a certain
10 amount and if you trade above that certain amount,
11 I believe you need to go on a trading plan. I
12 don't know specifics.

13 Q Do you have to pre-clear trades?

14 A I don't know if you have to the pre-clear
15 all trades.

16 Q Do you know if anyone at the company is
17 monitoring people's trading?

18 A I do not know.

19 MR. CERESNEY: Counsel, you might want to
20 put on the record that someone entered.

21 MS. WAXMAN: Let the record reflect that
22 Jonathan Daniels is in the room now for about 10
23 minutes.

24 Q The background questionnaire indicates
25 that you joined Ripple or your -- Exhibit No. 2

1 states that you joined Ripple in or around
2 September of 2013.

3 When did you first hear of the company?

4 A Early 2013.

5 Q How did you hear of it?

6 A When I was -- I became interested in
7 Bitcoin and, you know, we were committed to San
8 Francisco. And so looking for companies that were
9 in the digital asset space and that had reputable
10 founders, you know, good team, good backing. And
11 that narrowed the list to only a few companies.
12 And Ripple was one of those companies. At the time
13 it was called something else. It was called
14 OpenCoin.

15 Q How did it come that you came to work for
16 Ripple?

17 A I tried to meet Chris Larsen, the
18 founder, we had a common connection. And then I
19 worked through -- Chris Larsen had -- and Ripple,
20 whatever the name was at the time, hired a
21 third-party recruiting firm and I started working
22 with the third-party recruiting firm to go through
23 the formal process of working with Ripple.

24 Q Other than Chris Larsen, did you
25 communicate with anyone else, you know, right

1 around the time that you -- in connection with the
2 hiring?

3 A I spoke with the recruiter.

4 Q So when you first started with the
5 company, what was your title, your role?

6 A My title at the company was Vice
7 President of Product.

8 Q That's in 2013?

9 A Yes.

10 Q And what was your role around that time
11 when you first joined?

12 A As a Vice President of Product, my role
13 was to look at use cases, problems that potential
14 customers are having with their business. And then
15 see which of those were best suited for using the
16 blockchain technology.

17 Q When you say, use case -- you say, "use
18 cases", use cases for what?

19 A Use cases varied at that time in
20 blockchain. Could be use cases such as we tried a
21 number of different things. Use cases such as
22 having Starbucks points on distributed ledger, so
23 you can easily trade them for something like United
24 miles. Tokenizing things like digital gold so that
25 you could buy, you know, digital gold and make that

1 more liquid than it is today. We tried tracking,
2 so supply-chain tracking. We tried, you know, we
3 had the idea for cross-boarder payments. We had
4 the idea for domestic payments. So like AV is the
5 competitor. We tried a lot of different things
6 using blockchain in the early days of Ripple.

7 Q Were all these use cases in connection
8 with the Ripple protocol or the XRP ledger or were
9 they in connection with other blockchains?

10 A In those days it was difficult to use one
11 blockchain, so they're often, you know, mishmashes
12 of technology. The use cases I was talking about
13 used a mishmash of technologies and protocols.
14 They all used the XRP ledger.

15 Q In some way or shape or form?

16 A Yes.

17 Q Were you ever responsible for selling the
18 technology at any point?

19 A No. In my role as product, my sole
20 responsibility is to build the product.

21 Q And when you say, "build the product", is
22 that from a technical perspective or is it really
23 kind of develop the idea, test it and execute.

24 A Sorry, can you repeat it.

25 Q When you say your role was to build the

1 product, are you -- do you mean specifically, are
2 you writing the software or are you coming up with
3 the idea and executing the idea?

4 A So myself, I do not write any code -- any
5 production code for any of our enterprise software
6 at Ripple. I work with an engineering team that
7 writes the codes. In my role as product I define
8 the software features, I work with customers to
9 better understand how those software features will
10 benefit them. I work with marketing to discuss how
11 these features should be described to the market in
12 a technical perspective. And if there's any
13 questions that our customers have either existing
14 or perspective on the technical side, I can answer
15 those as well.

16 Q At any point while you were at Ripple,
17 did you move outside of the role of product
18 development?

19 A No. I've been in product development my
20 entire time at Ripple.

21 Q Okay. And when you first started, who
22 did you report to?

23 A I reported to Chris Larsen.

24 Q And did that change at any point?

25 A That changed when Brad Garlinghouse

1 joined. And I reported to Brad Garlinghouse after
2 Brad Garlinghouse joined Ripple.

3 Q And what was Garlinghouse's title at the
4 time that you reported to him.

5 A He had two different titles at Ripple
6 during my tenure of reporting to Brad, which is
7 still current, the first title was COO then the
8 second title was CEO.

9 Q And at the time that you joined the
10 company, about how many employees were there?

11 A I don't remember exactly, but fewer than
12 15.

13 Q And who is Jed McCaleb.

14 A Jed McCaleb is a co-founder of Ripple.

15 Q Was he working at the company at the time
16 you joined?

17 A He was not.

18 Q Had he already left?

19 A Yes.

20 Q And who is Arthur Britto, B-R-I-T-T-O?

21 A I believe -- I don't know exactly his
22 specific role, but I believe he has the same
23 role -- he had the same role at the company as Jed
24 McCaleb.

25 Q And was he at the company when you

1 joined?

2 A Yes.

3 Q Is he still with the company?

4 A I do not know what capacity he is at the
5 company, but I do see him in the office from time
6 to time.

7 Q Does your -- do you have any
8 responsibilities that cause you to interact with
9 him?

10 A Not on a regular basis. But I did ask
11 Arthur -- I often consulted with Arthur Britto to
12 better understand technology. Because he's a very
13 good technologist.

14 Q And what -- did he -- is he a founder of
15 the company?

16 A I don't know if he's a founder of the
17 company.

18 Q What's his relationship to the XRP
19 ledger?

20 A I believe he's one of the creators of the
21 XRP ledger.

22 Q Okay. At the time that you joined, did
23 anyone report to you?

24 A No.

25 Q At the time you joined, did you have an

1 employment agreement with the company?

2 A Yes.

3 Q And what were the terms of the agreement?

4 A I don't know.

5 Q What -- do you recall your salary?

6 A At the time I was signing I don't
7 remember the exact amount.

8 Q Approximately.

9 A [REDACTED] around there.

10 Q And what is your current salary?

11 A I don't know the exact amount around
12 [REDACTED]

13 Q Does that include a bonus?

14 A It does include a bonus.

15 Q It does. And I know you said you
16 received a spot bonus in XRP, have you ever
17 received any other bonuses in XRP?

18 A There is a -- there is a grant, I've not
19 received it. It's not been executed.

20 Q And what is the grant for?

21 A The grant is in XRP.

22 Q How much?

23 A The grant is [REDACTED] XRP delivered in
24 on a yearly annual basis over the next four years.

25 Q And are there certain conditions that you

1 have to satisfy in order to receive the XRP?

2 A Yes.

3 Q And what are those conditions?

4 A You have to be with the company at the
5 time of the -- since it's four years, you have to
6 be at the company at the time of the date where the
7 grant comes true.

8 Q And does a certain amount -- is there a
9 certain portion of the XRP that becomes available
10 at certain periods, so after a year, do you get a
11 certain amount of that [REDACTED] XRP?

12 A The way that it works is that the grant
13 was sometime last year. And then the first grant
14 is sometime in January of 2020, and then that's [REDACTED]

15 [REDACTED] And then subsequent three years is 2021,
16 January of 2021, January 2022, January 2023. [REDACTED]
17 [REDACTED] out of each one of those -- [REDACTED] XRP
18 units out of each one of those.

19 Q So the grant is up to [REDACTED] XRP, if I
20 understand correctly?

21 A Over a four-year period, yes. [REDACTED]
22 [REDACTED] a year.

23 Q Up to [REDACTED] over a four-year period.
24 And --

25 A That's XRP units.

1 Q And is it a grant to purchase or it's
2 just a grant -- it's just a flat-out bonus?

3 A I don't know the terminology of a bonus
4 versus a grant. But it's not a purchase of XRP.

5 Q It's not an option to purchase at a
6 discounted price or anything like that.

7 A No.

8 Q Have you ever been offered that?

9 A No.

10 Q And do you know if you have any
11 restrictions on trading the XRP once it is -- once
12 it vests or delivered?

13 A The -- the restrictions are according to
14 the agreement that we talked about earlier, there
15 are those restrictions. I don't know if there are
16 other restrictions on top of that one.

17 Q So, you're talking about the restrictions
18 we spoke about earlier, where if you're going to
19 trade over certain amount it needs to be
20 pre-approved?

21 A Yes. There's a -- there's a certain
22 amount and if you trade above that it has to be on
23 a plan and approved by the company.

24 Q And -- but I'm talking about if -- I know
25 the company restricts sales and XRP in certain

1 circumstances by people that they sell XRP to, so
2 I'm just wondering if you are restricted under the
3 terms of this agreement from selling any of the XRP
4 you received?

5 A Outside of that -- of the thing I
6 mentioned, I don't know.

7 MR. CERESNEY: Just to be clear, I think
8 subject to the usual policy.

9 MS. WAXMAN: Okay.

10 MR. CERESNEY: I think that's what he
11 suggests.

12 MS. WAXMAN: Okay. Thank you.

13 MR. CERESNEY: The sale. No other
14 restrictions.

15 THE WITNESS: I'm saying I don't know if
16 there's any other restrictions.

17 MR. CERESNEY: Right. Yeah, you don't
18 know of any other restrictions.

19 MS. WAXMAN: We can -- well, we can check
20 the agreement.

21 MR. CERESNEY: Yes.

22 Q And you said -- you mentioned earlier the
23 term "leadership team".

24 Can you tell me who is on the leadership
25 team and when that term came about?